

F.A. Harper

FREEDOM
and
ENTERPRISE

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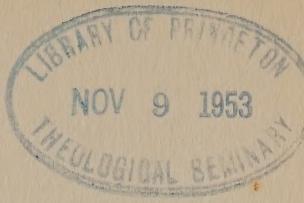
by F. A. Harper

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FREEDOM and ENTERPRISE

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FREEDOM AND ENTERPRISE*

This nation is currently making a decision that is probably one of the three most fundamental decisions of its history.

1. *Slavery of State to State.* The first of these fundamental decisions was made a little over a century and a half ago on the question of whether or not the colonies should continue in what seemed to them to be a servile status. *That was a fight for national freedom.*

2. *Slavery of Person to Person.* Then nearly a century ago we settled the question of slavery on a personal ownership basis. *That was a fight for freedom of person from person.*

3. The current question is that of *Slavery of Person to State.*

In the settlement of the first two of these questions we became involved in wars. Let us hope that in the settlement of the current question of slavery of person to state we can arrive at a satisfactory decision without resort to war.

The best way to avoid war in the settlement of this question, in my judgment, is to face the issue calmly and judiciously. This involves a clear comprehension of the problem and a full understanding of the consequences of various decisions.

If we in this country were to vote directly on the question of establishing complete slavery of person to state, there seems little doubt that the decision would be "no" by an overwhelming vote. But the question is not likely to come in such a clear and definite form. The answer could come quickly, clearly, and completely by revolution. But in the world's democracies the ultimate decision is more likely to continue to be made in the form of answers to many seemingly little questions having all sorts of different labels on them. That is why the problem is so intricate and the means of settlement so varied and hidden. That is why we must see each step in its relation to the whole and final decision.

Many persons seem to have the queer notion that there is virtue in freedom of nation from nation (the problem of 1776) and in freedom of person from person (the problem of 1865), but that there is something noble about a form of "responsibility" that may lead to slavery of person to state (our present problem).

*This pamphlet contains the text, with slight rearrangement and revision, of a lecture given under the auspices of the Public Affairs Committee, CURW, Cornell University, April 3, 1945.

SOME ROUTES TO SLAVERY

The real danger in the democracies, as has been said, is that of *slowly* sliding into a condition of slavery of person to state, rather than by a sudden revolution. How and why does this happen? A series of little steps are taken which are at the time seemingly justified by a variety of reasons. Some of these reasons are laudable as to intent, and others are not. The more important among the *basic* reasons are: (1) the desire to change or control others, (2) the search for security, and (3) the desire of individuals or groups to improve their own economic status, or that of others, by means of direct governmental intervention. Then there is a group of secondary reasons, excuses, etc., which will be discussed later as "Scenery Along the Road."

DESIRE TO CHANGE OR CONTROL OTHERS

It has been well said that all of us are dictators at heart. That statement is probably correct, except possibly for Mr. Milquetoast, though people have this urge in varying degrees. Hitler illustrates an advanced stage of this disease. We should not forget, however, that the world is literally full of would-be Hitlers or Mussolinis. They would not admit it, but they must be judged by their acts and not by what they say.

The desire to change or control others expresses itself in many ways. Perhaps the mildest form is the phenomenon found on every street corner, where one person talks convincingly to another. The technique of education is essentially a similar process. The teacher or professor is paid to influence others on an organized basis, supposedly in the direction of truth.

It is important to note that the urge to educate and the urge to propagandize¹ arise from the same basic human instinct. The two processes may thus be identical as to method, and propagandizing may even be called "schooling," "education," or "information" by its users. Distinguishing between the two is usually difficult if not impossible at close range, but the distinction is of vast importance. Honest education is one of the most important agencies for progress in a free society, whereas propaganda is one of the most vile and yet effective devices for converting freedom and liberty into state servitude.

In all countries with dictatorships, history seems to have recorded that "the road to serfdom" was paved largely by the intellectuals. A strange thing! For they are the very persons who should have the greatest respect

¹ The term "propaganda" is used herein in its modern, derogatory sense—the spreading of untruths for a specific purpose. This is quite contrary to the earlier, more respectful meaning of the word, which is suggested by the establishment of the College of Propaganda during the seventeenth century to educate priests for missions.

for education as opposed to propaganda. It is easy to be misled by the fact that a mere paper hanger became the leader of one such movement, and to forget that intellectuals played an important part in the early development of that movement.

Why is it that intellectuals are so willing to pave the road to serfdom? It is not, in most instances, an intentional crime. They do not know that it leads toward serfdom. With the best of intentions, they cherish a sincere desire to improve the lot of their fellow men through the use of their superior knowledge. It is axiomatic that they should earnestly desire quick and universal adoption of measures based on their knowledge and discoveries. They believe that the millennium can be hastened in that way.

How can adoption of these measures be accomplished? One possible means is education, by which individuals are led to act in the desired manner as a result of acquired belief. But the process of education is too slow to satisfy many of these impatient intellectuals. The skepticism and ignorance of the masses, and the tenacity with which they cling to their "superstitions," is an annoying impediment to progress. As a substitute for the slow process of education, the power of government offers a vehicle for quick action. This device becomes at first enticing and then irresistible, despite its substitute of force for action that results from belief. It is for these reasons that many sincere intellectuals become willing supporters and active leaders of movements which constitute a shift away from freedom and liberty toward slavery to the state. The loss of liberty and freedom which any one measure entails may seem small. But the cumulative effect becomes serious when this sort of thing is multiplied many times. The road to serfdom is paved with small bricks, each constituting an important part of the whole.

The desire to control is not always, however, combined with programs of "forced betterment." The motives are sometimes less laudable. There is the joy derived from controlling others merely for the sake of exercising control. Some admired leaders are motivated by this urge, and are to be especially feared because their ability for leadership intensifies the threat to freedom and liberty.

SEARCH FOR SECURITY

One of the most common routes toward serfdom is followed by those in search of economic security. Everyone wants security, and any program so labeled has wide appeal. In order to appraise any governmental security plan we must look behind its name. It may be helpful first to consider the anatomy of real security.

The simplest form of security is the type practiced by the squirrel; he stores nuts for winter. This affords him security as long as the reserve lasts. People do the same thing privately. They may store up consumer

goods such as food. It is not necessary that they store this food in their own cellars, as the colonial settlers did. It may be kept for them elsewhere, with some sort of warehouse receipts that can be exchanged for food when they need it. Money in your pocket is essentially the same thing; you can exchange it for the food at a store. But you can do the same thing in other ways too. You may deposit the money in a bank. Or you may put it into insurance policies. Or you may invest it in stocks, bonds, a farm, or a business. These are all means of providing private security. If the person involved is to have greater security he must *save*—that is, he must restrict his spending to less than his income.

Another way for an individual to increase private security is to increase his productive capacity. This may be done through education or by some form of training, or it may be through invention of tools or methods that increase efficiency.

An individual may marry well or arrange for the death of a rich uncle. Or he may steal from his neighbor, or rob a bank. These are security plans of different types, having only limited possibilities of application.

When we begin to consider group security plans, the question becomes more complicated. Life insurance illustrates one type. The essence of the idea is that individuals who wish to do so can pool their unpredictable risks. Some individuals gain and others lose in the process, but the plan is voluntary and each participant has a chance to either gain or lose. The group as a whole must pay the costs of administration. The result is a form of security on an individual basis for those within the group, but the security of the group collectively is lessened by the amount of the administrative costs.

What can a government do? Government can do certain things which will encourage private security—it can create stability in the buying power of money (that is, prevent wild inflation or violent deflation), it can protect property rights, it can protect the right to rewards for hard work and wise management, it can refrain from granting special benefits to those who have not saved at the expense of those who have saved, it can protect the rights to free access to all knowledge, and it can do everything possible to stimulate training for more productive work, inventive genius and increased efficiency. These are sound things that a government can do to increase the security of its citizens without infringement on individual liberties and freedom.

The government may also operate group security programs such as life or accident insurance. How does this compare with protection available from private companies? The government may be either more or less efficient; it may make the plan compulsory; it may subsidize the rates, which amounts to a shifting of costs as between individuals; it may make

the rates actuarially unequal in order to accomplish certain "social objectives."

The government can by many devices increase the security of some individuals at the expense of others. These are infringements on liberty and freedom without any direct increase in the total of national welfare. At the extreme, prisoners are highly secure in food, clothing, and housing; slaves have in addition a high degree of security of employment, as did the people in Germany during the thirties.

The total production of goods and services is the only worthwhile concept of true security on a national basis. A nation can consume only the equivalent of what it produces. If the government arbitrarily gives one person a greater part of the total produced in any given year, whether in the form of "security benefits" or by some other name, it must be taken away from someone else *in the same year*. Distribution of the parts of a total is a very different thing from changing the size of the total.

Many persons have the false idea that government can hand out security benefits at will, without cost. They think of the government as a thing apart, as a source of showers of manna, as a sort of spigot that can be turned on or off at will to give its citizens additional economic benefits from a limitless reservoir that needs no replenishment. Having that false idea, they make demands on their government and become willing buyers of one-way tickets on the road to serfdom; and as long as they make these demands, politicians will gladly work at the ticket window in seeking public favor.

THE DESIRE OF INDIVIDUALS AND GROUPS TO BETTER THEMSELVES

I can recall having heard of only two instances in which persons declined raises in pay. That suggests another important human trait—the desire for a better living. Practically everyone would like more pay and thinks that his services to society are worth more than he is getting. A well-known economist once said that a fair price, a fair wage, or a fair rent at any time is approximately twenty per cent more than the present rate. A new device has been developed as an aid to attaining "fair" return by this test. Groups of persons, banded together, are discovering that they are *all* underpaid, or that the market price for *all* their products or services is too low, or that *all* their profits are too small. This is not surprising. For if each is getting "too little" individually, combinations of individuals will find common ground for complaint. And so, as pressure groups, they assert their "just demands." No important segment of our economy is totally immune from the use of this type of power, and it is being rapidly expanded for the avowed purpose of meeting power with power.

This sort of pressure-group action never developed greatly in our early history. A person who is completely self-sufficient can see no use in such antics. He is his own employer, furnishes his own capital, and is the market for his own products. Try to imagine an argument with himself over prices, wages, and profits! His common sense tells him that he cannot better his economic welfare by any process of shifting money from his left pocket to his right, or vice versa.

In a highly complex society the same principle holds, namely that a shift of money from the left pocket to the right does not make the nation as a whole either richer or poorer. It does, of course, benefit some individuals (*at the expense of others*). That is why pressure groups have come into being.

Groups demand a correction of "inequities." But how is equity to be determined? Some claims represent real inequities, whereas others are merely forms of attempted robbery. Fairness will not be accomplished by granting *all* requests, nor by decisions based on the size of the organization and the power behind the request. In pressure-group action, as in military action, *power does not insure justice; it insures nothing but the privileges of power*, which may be unjust.

Even when the organization of a pressure group stems from an unjust situation, there is no certainty that the power will evaporate when the point of equity is reached. On the contrary, the power is far more likely to persist and to ride on victoriously through the point of equity, into inequity. Suppose the price of frog's legs should, in fairness, be \$2.00 a pound, instead of \$1.90 a pound. A pressure group is organized with sufficient power to force it up to \$2.00. Will the rise be halted at \$2.00? Certainly not, if, as was the case, the price was granted only because the power of the pressure group was greater than all opposition.

The question then becomes, "How can fairness be determined and maintained in an environment of pressure groups?" The answer is simple, "Submit the question to impartial committees." But where and how are impartial committees to be found? A popular belief is "in and by the government." It is somehow assumed that the frailties of human judgment and motive will disappear automatically when decisions are shifted from person to state. This would be true only if government could be operated without persons, by some device whereby decisions could be arrived at by some faultless method—which is not the case.

The desire of individuals or groups to better themselves, then, leads to the delegation of power to the government in exchange for individual liberty and freedom. And this, too, makes willing buyers of one-way tickets on the road to serfdom.

SCENERY ALONG THE ROAD

The scenery along this road to serfdom² is interesting and significant in its meaning if one can keep an objective viewpoint. There are signboards pointing out directions and saying interesting things, and there are various forms of camouflage. High motives, ignorance, and specific intent to confuse and mislead the people all combine to make this scenery possible. Here are a few of the most interesting points to watch for.

SOME SIGNBOARDS

Among the signs pointing ahead down the road are some labeled "progress," "liberal," "forward looking," "planning," "planned welfare," "fairness," "in the public interest," etc. Some pointing in the opposite direction are labeled "conservative," "reactionary," "backward looking," "selfish interest," "unprogressive," "behind the times," etc. The public generally thinks of these two groups of terms as practically synonymous with good and evil. Because of established prejudices, these signs or labels immediately set people for or against a thing without any further consideration—if they believe in signs. In fact, one who would even stop to consider the ideas in **The Road to Serfdom**, and especially one who voices approval, immediately acquires somewhat of a "blot on his escutcheon." He is "a reactionary, and deserves no further attention."

Merely labeling a program with one of these terms is no guarantee of its virtue or lack thereof. One has to look beyond the label, inside the package. False labeling, so abhorred, is not restricted to consumer goods; it occurs also in terms concerned with programs and ideas in the realm of economics.

Those who hold Hayek's viewpoint are not opposed to progress. Instead, they differ from their opponents on how best to attain progress. They are not opposed to the public interest, but they have their own views as to what is in the public interest. They are not opposed to true security. They are not opposed to "true liberalism," of which they themselves claim ownership.

SWITCHING DIRECTION OF THE SIGNS

People instinctively adhere to ideas leading away from serfdom. Man is born with a strong desire for liberty and freedom, and many believe that he is born with the right thereto. A device used in totalitarian countries to offset this instinctive urge has been to leave people in fond possession of certain terms for which they are willing to fight, but to change the meaning of words by the use of propaganda. It is like a person whose heart is set on going north to Trumansburg, but whom you wish to entice to go south to Owego instead. Rather than to try to convince him

² The title of Hayek's book. See bibliography.

that Owego is after all the better place, you let him keep his pet notions and just switch the signboards around. So he goes happily along, and you burn his bridges behind him.

Typical of this sort of thing in totalitarian countries are the "prejudices" of people for *liberty* and *freedom*. So the leaders let them keep the terms, but change the meaning slowly, step by step, until they are in essence believing in subjection of person to state—almost the exact opposite of the original meaning. We have seen, for instance, how this type of transformation has been accomplished in Germany.

Interesting things have happened over the centuries to the meanings people have attached to "liberal" and "laissez faire." The apparent origins of these terms suggest how they formerly represented beliefs that would be labeled as conservative and reactionary by many of the present self-styled liberals. *Laissez faire*, now viewed with contempt by many, was part of the slogan of a great liberal movement in France two and one-half centuries ago; the full term *laissez faire, laissez aller, laissez passer*, when literally translated in terms of the issues, means "let us be free to work, to travel, and to trade"; it was the slogan for a campaign to free people and industry from excessive regulation and interference by government. *Liberal* originated in Spain about 1810 to describe a political movement toward freedom and liberty; its meaning was the opposite of servile, and an initial issue was that of freeing the press from governmental censorship.

Mere words, like *liberal*, are unsatisfactory as descriptions of economic or political policies. Meanings almost the direct opposite of one another carry the same label in different countries, or even within one country. The confusion is intensified by those who have a purpose in promoting confusion of thought—including those who aspire to dictatorial control over a freedom loving people. If we are to preserve our freedom and liberty, we must constantly analyze the nature of issues and programs and ignore labels that have been attached to them.

THIS WAY TOWARD EQUALITY

Another enticing sign along the road toward serfdom is "equality." It is one of the most appealing enticements of all, and therefore holds great danger to liberty and freedom. Analysis of this question is most difficult to accomplish with brevity, yet its importance justifies the attempt.

Equality of economic benefits (both income and wealth) seems to have wide appeal. To some it is appealing for ideological reasons; they believe equality to be ideal from the standpoint of justice. Others support the idea for selfish reasons; I would guess that four-fifths or more of the people believe themselves to be below the average in income, and therefore stand to gain through equalization. And everyone would like to equalize with those who are better off than he himself is.

Hayek's type of liberalism supports the idea of *equality of opportunity*, but not necessarily equality of income. To understand this reasoning we must consider why incomes differ.

1. Incomes differ because people differ in their economic *drive*, in the extent to which they want to apply themselves to work vs. use of their time in recreation and leisure. It is their privilege to so choose, but if they choose a higher proportion of leisure, the economic penalty attached should not be shifted to others.
2. Incomes differ because people differ in their economic *ability*. Men are *not* created equal in economic capacity, and these differences cannot be corrected by law or by governments. The things that law and governments *can* do are to give everyone more nearly equal economic opportunities.
3. Incomes differ because of all sorts of limitations on free and fair competition—monopolies, etc., etc. Many of these are the result of measures enacted with avowed objectives such as “security” and “fair trade.” It is this type of thing which Hayek and all “true” liberals would not tolerate. As they see it, a clear function of law and of government is to insure freedom of *opportunity* by protecting against these abuses.

Whether or not we like this situation, incomes have a strong and persistent tendency toward inequality. Some of this tendency is a natural force, just as much as the force of gravity and the tendency of water to seek its own level. Those resulting from *natural forces* can be altered only at the cost of loss of individual liberty and freedom. Some inequality is the product of certain laws and regulations, or of the economic environment which is allowed to exist. Abundant evidence shows that government has been unable to prevent inequality of incomes, except perhaps temporarily. It can, however, do much to influence the *basis* for income differences—the rules of the game, so to speak. It can either encourage or discourage income differences based on economic productivity and the contributions to progress, as contrasted with the circumstances of birth, membership in effective pressure groups, or aptitude for political gangsterism and intrigue, as seems to have prevailed in Germany.

Equalization of incomes is likely to poison initiative and retard progress to the extent that the real incomes of everyone are lowered from what they otherwise would be. The fact that large incomes suffer more than small ones should not be comforting to those whose smaller incomes are further reduced, as the result of a program supposed to benefit them.

Hayek's type of thinking has been unfairly accused of holding no sympathy for the lot of the other fellow—of being unreasonably selfish. They believe that destitution and need can be dealt with most efficiently and

fairly through voluntary charity and localized relief. They are opposed to state-sponsored equalization of incomes without regard to the individual's economic contribution. Those capable of producing should be allowed to do so, and should be given every possible encouragement and inducement. Giving them something for nothing does not do this. Instead, it stifles initiative and reduces production, and therefore defeats the purpose of economic betterment for the nation. Equalization of incomes can be accomplished only by moving down the road toward serfdom.

LAW-ABIDING CITIZENS

Signs may be placed along this road designed to brand all going down it as law-abiding citizens and all who resist as lawless citizens. That is to say, all laws, no matter what their nature or effect, purport to be both desirable and just. On the contrary, it should be recognized that law and regulation can be used to destroy liberty and freedom as well as to protect it. Law can be used, in other words, for the purpose of legalizing plunder of types that, without the law, would be looked upon as forms of robbery.

This idea of the sanctity of law in a democracy is due, to a large degree, to the belief that if it came into being in a democracy it cannot be undesirable. That depends on one's test of desirability. If desirability is to include the protection of liberty and freedom, laws and regulations in a democracy certainly *can* be undesirable. *This is a very important point*, and will be discussed further.

YOU ARE PROTECTED BY THE DEMOCRATIC PROCESS

Belief in the democratic process as a defense of liberty and freedom can become a sort of ineffective "Maginot Line" behind which we hide while riding on our way toward serfdom. It accounts for much of the complacency in the democracies, and for the type of feeling so well described by "it can't happen here."

As an extreme, it is conceivable that a people could suddenly vote themselves into complete slavery by the democratic process. Or, they may at any time vote retention of whatever slavery status they have already attained. It was reported, for instance, that many negro slaves in the south before the Civil War would have voted to remain as slaves—apparently because they were reasonably well satisfied with their economic lot and because they wanted so much to retain "security" in preference to the insecurity of freedom in the outside economic world. Probably many German people would have honestly voted for a continuation of their servile status.

Instances abound illustrating how people have voted partial slavery on themselves, or more commonly on others, by the democratic process. It has been aptly said that in a democracy the idea of majority rule is less

important than that of protection of minorities against the plunder of the majority.

No, democracy does not insure individual liberty and freedom. Laws or regulations in a "democracy" may be used for legalized plunder as well as for protection. They may be used as a device for robbery of the minorities, which may eventually degenerate into a process of allowing segments of a population to rob each other, *legally*. Reciprocal robbery is not the way to acquire a high and rising standard of living for a nation, and the democratic process by itself does not seem to be an adequate defense against these dangers.

FAIR PRICES, WAGES, AND PROFITS

A common complaint against free enterprise and free markets is that *some* prices, wages, or profits are always at unfair levels. And so along the serfdom highway are to be seen signs promising fairness to all as the reward to the traveler.

Especially appealing to great numbers of people is the idea of the confiscation of profits, supposed by them to be unnecessary or excessive and existing at the expense of employment and payrolls. The function of profits as the vitalizer of the free enterprise system is too little understood. Profits have a *positive*, not a negative, effect on employment and payrolls; their effects are tremendous, with a leverage of from two to five times.³ Profits stimulate employment and payrolls by several times their own magnitude.

Also, too little understood is the fact that wage rates can easily be *too high* in relation to profits and other rates of return in the nation's economy —too high for the good of labor itself. When this happens, every one per cent that wage rates are too high apparently causes a three to four per cent increase in unemployment.⁴

From this it is easy to see how insufficient and meaningless are mere words of acclaim for the free enterprise system. The important thing is what is *done*, not what is said. Kindly words for free enterprise and acclaim for the objective of full employment are not enough. They will not offset the unemployment that results from adverse measures which prevent free enterprise from working. Using force of government and of pressure groups in ways that result in too low profits and too high wage rates will result in conditions of unemployment and low business activity which, in turn, will induce additional further measures leading down this road toward serfdom.

³ See Sumner H. Slichter, "Postwar Boom or Collapse," Harvard Business Review, XXI (Autumn 1942), p. 36.

⁴ Paul H. Douglas, *The Theory of Wages* (The Macmillan Company, New York, 1934), p. 501. Also see A. C. Pigou, *Theory of Unemployment* (The Macmillan Company, New York, 1933), p. 97.

On the other hand, profits can be too high and wage rates too low. When widespread and continuous, however, they are probably always the result of curbs on free enterprise and free competition, except for instances involving deception and misrepresentation—threats to justice that must be guarded against in *any* form of economic system. Hayek and his group favor doing away with all such curbs and injustices, which is a constructive program of great challenge.

The charge that some individual “injustices” can always be found in a “free” market probably is true; its proponents do not claim perfection for it, if by “perfection” is meant the protection of everyone against making an economic mistake and suffering the consequences allotted by the consumer in the marketplace. Many of these instances alluded to as evidence against the free market system are, in fact, the product of *lack* of complete freedom. The question is, will any other system make so few “mistakes,” and in addition perform so well in terms of economic progress? This group believes that no other one will, even aside from the question of the liberty and freedom which it preserves and other systems destroy.

To measure fairness in prices, wages, and profits requires some basis by which fairness can be judged. As has already been discussed, almost everyone believes *his* share to be unfair, whether it is or not. The producers all think the price is too low, the laborers all think wages are too low, and the owners all think profits after taxes are too low. Why cannot these complaints easily be satisfied by the simple device of raising the retail price enough to cover increases in *all* of them? Because the consumer then becomes an obstructionist, and says that he will not pay the increase—in fact, he claims that the price is already too high and should be lowered. To answer this new dilemma, why not let the government pay the increase, and perhaps also pay some of the consumer’s retail price?⁵ The only catch in this solution is that the government cannot really be a rich uncle to everyone because in reality it is nothing more than all consumers on the one hand and all producers on the other. “Who will pay for it?” is a *very practical question*.

The solution of letting the government pay for it can be described as an attempt to better yourself by increasing your pay to yourself and then sending yourself the bill. If the costs did not boomerang on the citizens themselves, this solution would have all the advantages of perpetual motion as a source of power.

The most equitable method yet devised for deciding these complicated questions of fair prices, wages, and profits is the mechanism of a free

⁵ This type of solution goes under various terms such as “subsidies” and “price control.” In wartime they pass as necessary emergency measures, but in peace-time they offer an equally enticing solution to the position in which a government finds itself when it tries to acquiesce to pressure groups from all sides at once.

market, operating in an environment of *really* free enterprise and free competition. Those who so believe have been accused of advocating a do-nothing policy. On the contrary, it is a positive and constructive program. Whether or not a thing is constructive must be judged by its results rather than by how much dust it stirs up, how much furor it creates, or how much it costs to operate.

Advocacy of a free market is thought of by many as being an endorsement of robbery in the market. But voluntarily agreeing to trade at a price which, under some other circumstances, might have been lower is a very different thing from taking a man's pocketbook at the point of a gun. Many instances criticized as evils of the free market are, on the contrary, the product of some *lack* of freedom, and are condemned by the advocates of a free market.

Strangely, many who trust the democratic process for decisions in political affairs deride the free market for decisions in economic affairs. Yet the two are the exact equivalents of each other. Only in a free market does *everyone* have a chance to cast his vote in the election that will decide what is a fair price, wage, and profit, and what should be produced. To contradict the justice of that decision is to contradict the whole concept of justice by the democratic process. Neither the democratic process nor the free market is perfect, but they are believed to have fewer faults and to do a better job than any other known device. A sure way to take a shortcut to serfdom is to throw overboard the sovereign rights of *all* the people, in either the political or the economic realm.

A comparison may well be made, too, between economic freedom and religious freedom. If one believes that a public official, committee, or pressure group is best qualified to decide economic questions of price, wage, and profit, he should also believe that matters of religious belief for individuals can best be decided in the same way. The reasons for religious freedom are reasons for economic freedom.

FATALISM

There are those who say that the trip down the road to serfdom is "inevitable," "the trend of history," etc., and that those who balk are behind the times and will be run over.

Those inclined to accept the fatalistic argument should search history books to see if there has been any such one-way trend. The search will be interesting and fruitful. Many of the very same measures now claimed to be necessary because of twentieth century conditions have been tried again and again over the centuries to take care of "new" conditions that then existed. The record of their degree of success or failure is there for study. It would be much cheaper for us to read these lessons of history than to set up the same experiments again under new names.

Important periods of history have been moves away from serfdom. History is full of instances where “inevitability” was broken by people determined to free themselves of partial or complete slavery. Sometimes they did the job for themselves, as in England. Sometimes it has been done by outsiders, as we aspire to do in Germany. In still other instances individuals fled from serfdom, like the medieval serfs who became free by custom if they could flee to a city and escape capture for a year and a day; many of the settlers of this country were those who sought freedom and liberty in a new location.

The fatalistic claim of inevitability is a snare. Natural forces, in a sense, have aspects of inevitability. If one is to resort at all to the argument of fatalism, it would lead him toward such things as continued inequalities of income rather than toward equality. But the matter of serfdom is a choice for us to make; it is not an irresistible natural force driving us in one direction. In matters of choice, fatalism becomes a causal force only to the extent that people believe in it. It is not otherwise a cause, and it deserves consideration here only because of its danger as a way of thinking about such questions. It is regrettable that fatalism offers such an easy escape from perplexing problems.

Closely allied to the fatalistic argument is the one, “Let us take the middle way.” The middle way is frequently taken by those who do not know where they are going, and so find comfort in having company on both sides. But a position is not necessarily right simply because it is the middle. A more rational basis for decision is called for.

STYLE

Some attach the label of “modern” to movement down this road, as though that proved its soundness. One who balks is then ridiculed, as though he were wearing an 1870 style hat in the 1945 Easter parade. If this question were of the same nature as the style of hats, and sweeping changes were of no more consequence, there would need to be little concern with this attitude. But this is a *very* serious question.

A dangerous notion along the same line is that the new is better than the old simply because it is new, and that every change is progress toward betterment. The mere fact that a few leading Englishmen a century to a century and a half ago held some of these same views does not *automatically* make them wrong, as some would have you believe. By this same reasoning one would ridicule the Ten Commandments and the Constitution; he would believe them to be wrong because they did not originate at some time well into the twentieth century.

A thing is neither right nor wrong merely because it is old. We must determine soundness of ideas by more fundamental tests than “What are they wearing this year?”

THE MOTLEY ARRAY MOVES DOWN THE ROAD

Those traveling along the road to serfdom make a motley array. Some are going that way as a means of increasing their profit margins, and others as a means of eliminating "the evil of profits." Some go to raise wages or prices, and others to prevent their increase. Many know not that the nature and objectives of their fellow travelers are direct opposites of their own; others know but hope to gain ascendancy over the other journeymen.

Some are sincere altruists who honestly wish to help their fellow men. This group includes many intellectuals whose motives are entirely unselfish. It includes many religious leaders, who seem to believe that we can have "all this and heaven too." It includes many public servants, in both elective and appointive offices.

Another large group includes those who are perfectly willing to accept this benevolent aid from the government, even at the sacrifice of liberty and freedom.

Some have a lust for power, including those already in positions of power as well as many, many aspirants.

Some are those innocent, pathetic individuals who have been fooled by the reversal of signboards. They are going in the opposite direction from what they think.

Some go along simply because all the other people are going, like people joining a crowd that is running down the street to an unknown destination. They may go along simply for social or political reasons.

Lastly, there is a group who know or suspect where the road leads. They react in different ways. Some stand in opposition to certain measures and demand their just rights; they are brought before the new law and are condemned. Some merely shout warnings, and are ridiculed for being "alarmists." Others, like Hayek in Austria, quietly leave the country for haven elsewhere. Still others—and I begin to suspect the number is great—humbly submit and peacefully march along against their better judgment. Some tolerate measures in wartime because they believe them to be war necessities. Many look upon the whole affair as a sort of grab bag currently in vogue, and justify their participation on this basis—"I know it is wrong, but I'm going to get my share of the gravy because I'll have to help pay for it anyhow."

As this motley mob has moved along in countries like Germany, it has fallen into more and more orderly columns, marching in step. On the surface it would appear that order has been brought out of chaos. How was it done? By a whole series of "national programs." By adult "education" groups, set up to "explain" these programs to the people. By youth movements, to help educate the youth and to make them healthy (with

free food, camps, and various forms of appealing recreation). By compulsory military training "to insure the national safety." Etc.

MOVING TOWARD A ONE-WAY STREET

According to Hayek, several other things characteristically happen as a nation moves down the road. Among them are two highly important ones: (1) truth is driven underground by the process of smear and destruction, and (2) the "worst" get to the top and acquire control.

Why do these things happen? It is basically because the whole program is in contradiction to some inherent tendencies of people and to some economic principles that are as powerful in their area as are the "laws of nature." For one thing, people wish to be free and to have liberty. For another, incomes are inherently unequal as a result of differences in capacity and in inclination to work. For these and other reasons, people must be led to discard certain ideas. This can be done in all sorts of ways. Propaganda becomes "education." Sources of information are controlled so as to screen out that which would "poison people's minds." As has been discussed, new meanings are applied to cherished words. People are led to adopt slogans rather than analyze what lies behind the slogans; they are induced to follow leaders blindly rather than to follow ideals irrespective of person. All this involves the destruction of truth as we know it.

Why do the "worst" get to the top? It is because the whole system pays dividends to persons adept at the destruction of truth. They must be willing to use almost any measures to attain their ends. They must be respecters of might and force, and have a willingness to ignore the rights and beliefs of individuals. They must be willing to follow the orders of superiors without question. The further down the road a nation goes, the clearer it becomes that the most successful leader is the one who can carry out the plans of the state in spite of opposition from individuals within the state. To believe that kindly Samaritans will continuously stay in control as the procession moves down this road is as unrealistic as to expect that kindly and altruistic men will maintain leadership of gangs in a robber economy.

The road becomes increasingly a one-way street as the people move along it. It becomes increasingly difficult for the nation or for individuals to turn back. When individuals do turn back, as while driving on a one-way street, it becomes a violation of law, with penalties of increasing seriousness even to the death penalty as we have seen in totalitarian nations.

As the leadership changes more and more from the scrupulous to the unscrupulous and from the altruistic to the crafty, the more admirable intellectuals who led the movement in its earlier days are pressed into the background; or they may be given "important" jobs which keep them so

busy laying bricks for extensions to the road, or making needed repairs, that they have little time to meditate. Or if in their spare moments they do meditate and wish to speak their mind, silence is imposed on them by their superiors because of their position in the government.

These points about the destruction of truth and about the types of people who take the lead are worthy of far more attention than I have given them. Biological processes quickly replace individuals who may have met death in the process. But the replacement of truth, ideals, and knowledge is not so easy and not so rapid.

WHAT TO DO ABOUT IT

The next logical question is, "What can we do about it?" That is beyond the scope of this discussion, the purpose of which is to explain this brand of economic thought as a basis for appraising it. So far as I know, Hayek and the rest of this group have no program of action except the completely informal one of *true* education. The whole idea of revolution by force is the direct opposite of their ideals, as is also the notion that anyone should be asked either to think or act according to authority from someone else. It is the responsibility of everyone, in other words, to do his *own* thinking and act accordingly. Once he understands the basic principles and makes a choice, no one need tell him what he should do or how he should stand on any question; the answers will come crystal clear to him. If he is confused on any problem, it is evidence that he doesn't yet understand the basic principles involved—in which case, as a professor, I would suggest that he may be behind in his reading.

A PARTIAL LIST OF REFERENCES
ON
THE NATURE AND ADVANTAGES OF ECONOMIC FREEDOM

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An attempt has been made in this pamphlet to summarize and interpret the views of a group of persons having similar opinions about many aspects of current economic problems. They do not fully agree in all details. Probably none of them would fully agree with this interpretation. But they think alike about many of the fundamentals and are grouped together for that reason.

In so short a statement no more than a mere introduction can be given to these ideas. For those wishing to pursue these concepts further, I have prepared a bibliography. I would seriously recommend its use as a supplement to this interpretation.

The group which holds these views includes so many interesting characters that there is the temptation to talk about them as people. But it is the ideas, and not the persons, that we are considering. Ideas are either sound or unsound *in spite of who holds them*.

Allow me to make one exception, however, because the life of Hayek is of special interest as background. He is a world-famous economist who lived in Austria until the early thirties. His opposition to certain views is not congenital, nor is it due to failure to understand them because of always having lacked sympathy with them. He warns us of ideas that lead to a mess of pottage at the end of a rainbow. From his "orchestra seat" in Austria, Hayek watched the various countries of Europe turn into totalitarian regimes, through a process of metamorphosis that started from the very same views he had held in his youth, the views which had led him to study economics as his lifetime profession. One country going astray could be just an accident—pure chance. But the pattern and the consequences were so similar in several countries that Hayek's scientific mind could hardly fail to associate them as cause and effect. He found what satisfied him as the answer—namely, that totalitarianism and dictatorships are simply the fruiting stage of what appear in their flowering stages as rosy, appealing ideals.

Hayek backed up his analysis of the situation by fleeing Austria in the early thirties, spending time in the United States and England, and later

becoming a British citizen. He now finds the leading democracies of the world going through the same sequence of events, with the same ideas, and using the same type of justifications for their acts that Germany and those other countries did a quarter of a century ago. The repeated sequence of events has given him the unique and disturbing sensation of twice living through the same period. In his book he tells us why, and the things to watch for as evidence of a road to serfdom.

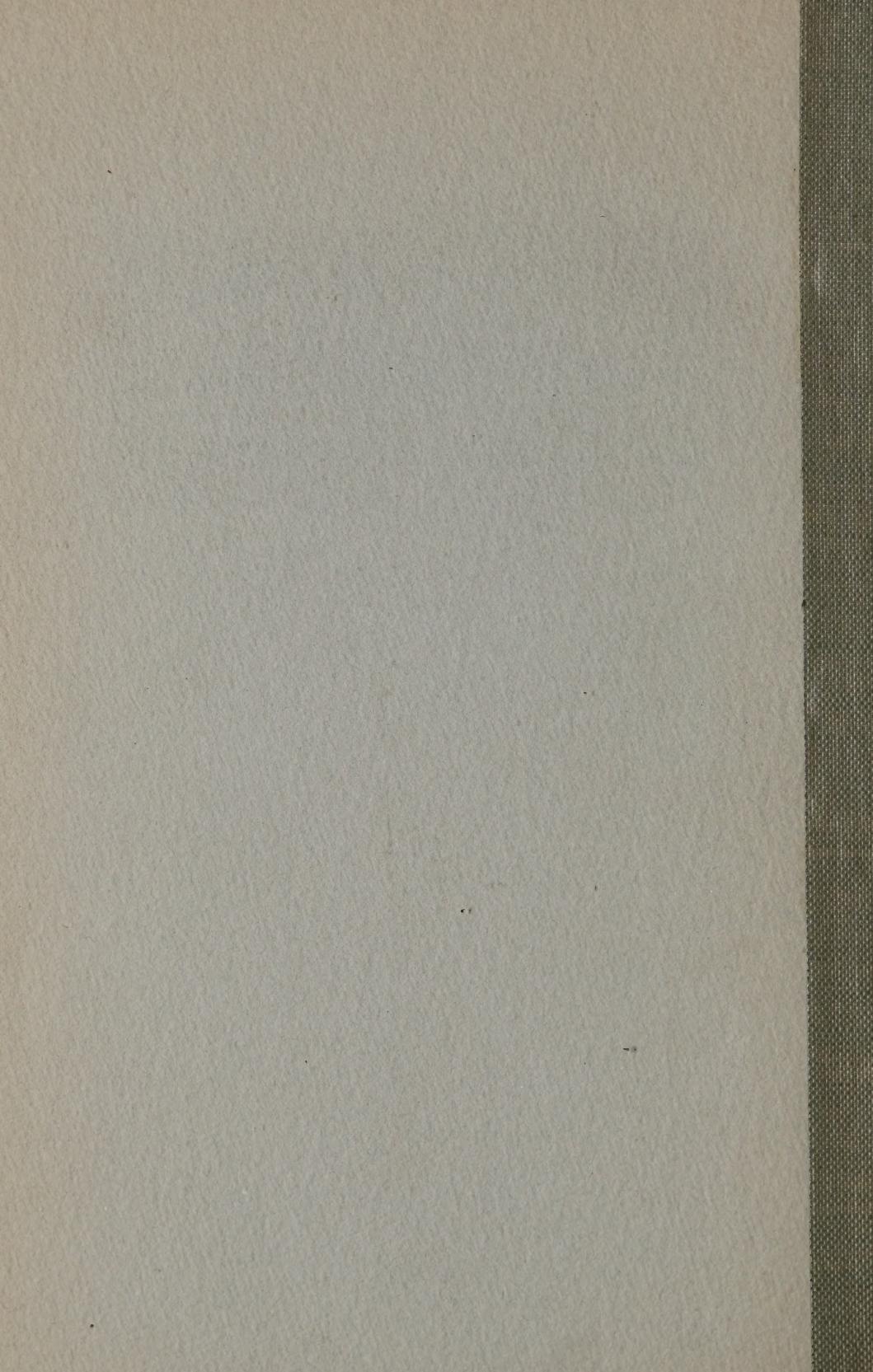
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